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SUBJECT: MIDDLE EAST; GSP; CUBA; TRI-BORDER; 08/09/06

1.SUMMARY STATEMENT

All today's local papers report on Argentine President Nestor Kirchner's blunt reaction to the USG's decision to review its GSP program. Other international stories include the war in the Middle East; the situation in Cuba and the Tri-Border's alleged support for terrorist financing activities.

12. OPINION PIECES AND KEY STORIES

- "Hezbollah decided to promote the war"

Leading "Clarín" carries an op-ed story by Damian Szvalb, political analyst and managing editor of "Horizon" magazine, who writes (08/09) "... Hezbollah was the one who made the decision and promoted the war. It attacked a sovereign country by violating acknowledged borders, and it did so fully convinced of its potential and support. This is why it did not care to uncover the powerful military arsenal it has or to reveal its close ties with Syria and Iran.

"Israel responded just like any other sovereign country would to defend its citizens...

"Israel is confronting the exterminating dictates of the Iranian regime through Hezbollah."

- "Chavez is the largest hurdle in the US-Argentine relationship"

Leading "Clarín's" political columnist Eduardo van der Kooy writes (08/09) "The US-Argentine bilateral relationship has neither improved nor deteriorated...

"... Washington's reaction seems to be motivated by specific interests that, according to the USG, have been impaired in failed WTO negotiations.

"There was some air of disappointment after the Mar del Plata Summit of the Americas. However, it did not become tension.

"Ever so, Washington has lowered its rating of Kirchner. It should be remarked that the Republican administration is determined not to boost enmity here... The US has acknowledged the strength of the Argentine economic recovery in every forum.

"The only bad news for Washington is the increasing political role of Venezuela for both the region and Argentina. Its incorporation into Mercosur was very bad news for the White House."

- "Kirchner's blunt response to US trade hurdles"

Alejandro Bercovich, columnist of business-financial "El Cronista,"

writes (08/09) "The USG's decision to review tariff preferences benefiting Argentina and other 12 countries unleashed yesterday a blunt response from President Kirchner. He warned that the country no longer has carnal relations with any other country,' and he labeled Washington's attitude as 'out of context' and 'not very serious.'

"While the Government acknowledged that the White House can decide which countries will be granted privileged access to its markets, it questioned its decision to take retaliation against countries not endorsing its commercial policy, as did most of the countries affected during WTO negotiations."

- "'Argentina no longer has carnal relations with any other country'"

Gabriel Buttazzoni, columnist of business-financial "InfoBae," comments (08/09) "The Argentine president pointed out that 'Argentina is an independent country. Under no circumstances does it make decisions based on actions that are not very serious and seem to be out of context...'

"This was the President's blunt response to USTR Susan Schwab's statements that the US intends to make progress on a review of the GSP with which it grants preferential tariff rates to imports from developing countries.

"The measure could affect the 13 'wealthiest' developing countries that were granted GSP preferential tariff rates. Argentina, Brazil, Venezuela and India are some of them.

"... The announcement was directly related to the confrontation between the US and the G-20 during negotiations held to unblock the WTO Doha Round.

"While the US denied that the measure could represent retaliation

against those countries that were not aligned with the US in international forma, the head of the US Senate Finance Committee, Chuck Grassley, suggested eliminating preferential tariff rates in the case of the G-20 countries based on their stance at the WTO."

- "'They make a serious strategic mistake'"

Business-financial "Ambito Financiero" reports (08/09) "Ercole Felippa, head of the Argentine Federation of Foreign Trade Chamber, believes that the US elimination of GSP preferential tariff rates would be a serious US strategic mistake and that Argentina would see itself strongly affected for not having signed an FTA.

"Even so, he asserted that he favors that the country sign foreign trade deals always in the framework of Mercosur."

- "The US proposes to change GSP's granting criteria"

Business-financial, center-right "InfoBae" reports (08/09) "The GSP, which was created in 1974, suffered reiterated changes, which have always been related to lines of products and not to the exclusion of countries. Conceived as a benefit for developing countries, the system is unilaterally granted by the US.

"Under the GSP, the US currently imports 27 billion dollars per year, to which Argentina contributes some 2.5% (616 million dollars). Brazil, India and Thailand, those receiving the largest benefit, account for some 35% of transactions.

"During these decades, the US 'punished' Argentina in 1997 by withdrawing 117 GSP tariff rates in retaliation for issues connected to IPR in the medical field. In 2002, there was a negotiation whereby access to 77 products was granted.

"Now, it is not a negotiation that we are talking about. The US announced that its review seeks to favor the smallest countries in detriment to 'big exporters.'"

- "K response to US: no more carnal relations"

Liberal, English-language "Buenos Aires Herald" front-pages (08/09)

"President Nestor Kirchner yesterday told Greater Buenos Aires mayors in Government house that Argentina 'no longer has carnal relations with anyone and is independent,' and added that 'it makes its own decisions' because 'it knows what to do.'

"The statements by the head of state were a reaction to the announcement on Monday by US Trade Secretary Susan Schwab, who said that the US would evaluate whether or not to curtail preferential status that has been granted to products from Argentina and 11 other developing countries for the last 32 years.

"Kirchner likened the potential withdrawal of trade preferences, allegedly due to disagreements on trade policy regarding the FTAA and WTO talks, to 'old theories of the Roman Empire.'

"A different reaction was seen from International Trade Minister Alfredo Chiaradia, who said it was 'normal' for the US to periodically review the SGP with Argentina, which is a unilateral decision.

"... Asked if the announcement by the US could be a reaction to Argentina's closer ties with Venezuela, Chiaradia said that the measure does not constitute a reprisal."

- "Serious - the US would raise farm subsidies by six billion dollars"

Business-financial "Ambito Financiero" reports (08/09) "Argentina will expect the arrival of the next US Ambassador, Earl Anthony Wayne, to thoroughly discuss the future US-Argentine bilateral relationship. The Foreign Ministry made this decision after the USG made public that it is planning to review its GSP, whereby the country could lose exports for an amount between 600 million to 1.5 billion dollars.

"Meanwhile, as per instructions of President Nestor Kirchner, the Argentine Foreign Ministry will not ask the US to review its position and Argentina will start seeking access to other markets for the affected products.

"... By the time Ambassador Wayne arrives in Argentina, the country will have lost its benefit under the GSP. In this way, the country will pass from a forecasted trade surplus of 500 million dollars to a deficit of at least 200 million dollars."

- "The White House is analyzing softening its embargo on Cuba" Hugo Alconada Mon, Washington-based correspondent for daily-of-record "La Nacion," comments (08/09) "the Bush administration acknowledged yesterday that it could ease its controversial policy of isolation against Cuba... in order to promote a transition towards democracy on the island and increase its influence in the post-Castro future.

"Changes could include a review of the embargo, which is weakened by Venezuelan President Hugo Chavez's petrodollars, and an increase in the number of visas for Cubans who have relatives who are already residing in the US.

"Tony Snow, the White House's spokesperson, said 'If there is a change, a drastic change, in Cuba's political situation, there could be adjustments in the US policy' on the island... "

"The US intends to increase its pressure on the regime by encouraging dissidents on the island but without sparking a confrontation at international fora."

- "The lessons of Cuba"

Business-financial "Ambito Financiero" carries an opinion piece by economist Daniel R. Vitolo, who opines (08/09) "What recently happened in Cuba with dictator Fidel Castro should lead to reflection to all countries and peoples, including Argentina.

"Whenever the political system of a country, its public liberties, its delay or development, its isolation or integration, its present and future, social peace, hope and frustration depend on the life and health of only one man, it means that something is wrong there.

"... The greater the concentration of power in the hands of one person, the greater the weakness of said political system... A perverse and vicious cycle is thus generated - by concentrating power, destroying the opposition and avoiding the creation of other choices, the dictator becomes the only true possibility of government, stability and social peace. Everyone ends up publicly wishing health and a long life for him... while deeply inside they perhaps want him to be dead."

- "The control of the Tri-Border"

An editorial in leading "Clarín" reads (08/09) "The Tri-Border is one of the areas of South America that is being identified as a source of insecurity for the entire region and continent.

"This is due to the fragile public control of the economic activities of the region. There is a blurry dividing line between what is legal and illegal in the Tri-Border...

"To this, one should add the alleged sites of support for activities that are directly or indirectly related to terrorist financing.

"This hypothesis raises concern in the US and in the governments of the region...

"An overall view of the situation in the Tri-Border should include the need for improving migration and customs controls as well as developing a regional policy.

"The countries sharing borders in this critical point should act in a preventive way in order to weaken the arguments in favor of the intervention of third countries in the area."

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